

Chesaning Union Schools

Chesaning, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2007

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Chesaning Union Schools
Members of the Board of Education and Administration
June 30, 2007

Members of the Board of Education

Bob Bell - President

David Eickholt - Vice President

Mary Ellen Tithof - Secretary

Jennie Carlton - Treasurer

Duane Ferry - Trustee

Denise Edgar - Trustee

Kathy Wasmiller - Trustee

Administration

Kathy Stewart - Superintendent

Independent Auditors' Report

To the Board of Education
Chesaning Union Schools
Chesaning, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Chesaning Union Schools as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chesaning Union Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chesaning Union Schools as of June 30, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 17, 2007, on our consideration of the Chesaning Union Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chesaning Union Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
September 17, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

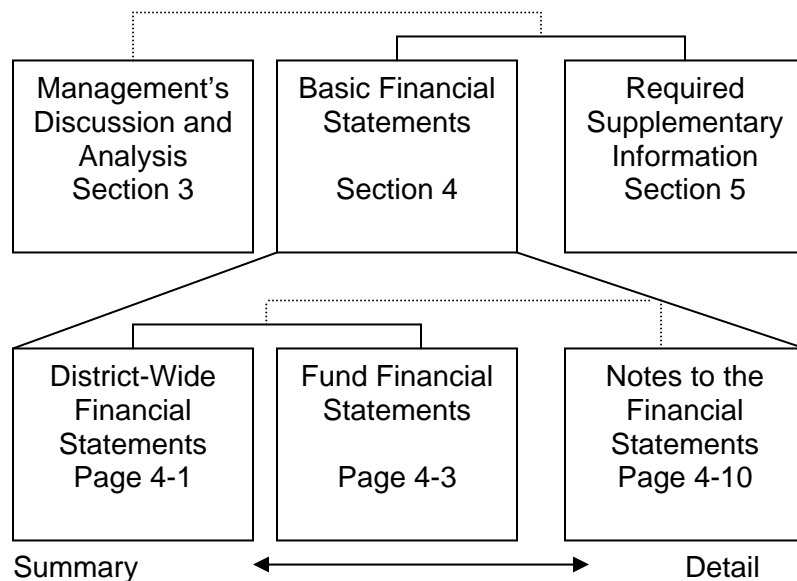
Chesaning Union Schools

Management's Discussion and Analysis

For the Year Ended June 30, 2007

This report is presented in the format required by the Governmental Accounting Standards Board (GASB) in their Statement Number 34 issued in June of 2000. The overall organization of this report is shown in Figure A-1.

Figure A-1
Chesaning Union Schools
Organization of Annual Financial Report



District –Wide Financial Statements

The district-wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two district-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the District is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the District's operation in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

**Chesaning Union Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Public School Accounting Manual*. In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds. The funds used by Chesaning Union Schools include Debt Funds, Fiduciary Funds and Special Revenue Funds for food service and athletic activities.

Chesaning Union Schools is the trustee, or fiduciary, for its student activity funds and for a number of scholarships established for the benefit of our students. These fiduciary activities are reported in separate statements of fiduciary net assets. They are excluded from the other financial statements because the District may not use the assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

Summary of Net Assets

	2007 Governmental Activities	2006 Governmental Activities
Assets		
Current Assets	\$ 5,793,265	\$ 5,647,705
Capital Assets	24,826,928	23,017,848
Less accumulated depreciation	<u>(10,872,357)</u>	<u>(10,417,227)</u>
Capital Assets, net book value	<u>13,954,571</u>	<u>12,600,621</u>
Total Assets	<u>19,747,836</u>	<u>18,248,326</u>
Liabilities		
Current Liabilities	2,172,264	1,919,394
Long-term Liabilities	<u>6,929,676</u>	<u>6,542,317</u>
Total Liabilities	9,101,940	8,461,711
Net Assets		
Total Capital Assets, net of related debt	7,362,407	6,408,304
Restricted	371,832	327,957
Unrestricted	<u>2,911,657</u>	<u>3,050,354</u>
Total Net Assets	<u>\$ 10,645,896</u>	<u>\$ 9,786,615</u>

Unrestricted net assets are similar but not identical to fund balance. Reserves for grants and deferred gifts within the fund balance are treated as restricted net assets since they are not available for general operations. A reconciliation of the difference between increased net assets and an increase in fund balance is on page 4-7.

Net assets for the District increased by \$859,281 during the 2006/07 year. The *Statement of Net Assets from Operating Results* (below) shows the details of this change.

Chesaning Union Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2007

Statement of Net Assets from Operating Results

	2007 Governmental Activities	2006 Governmental Activities
Revenues		
Program revenues		
Charges for services	\$ 672,925	\$ 457,455
Operating grants and contributions	1,545,916	1,406,185
General revenues		
Property taxes	2,565,323	2,480,104
State foundation allowance	12,752,205	13,261,797
Other	204,636	263,546
Total revenues	<u>17,741,005</u>	<u>17,869,087</u>
Expenses		
Instruction	10,178,722	10,380,855
Support services	5,392,086	5,243,328
Food services	543,821	592,885
Athletics	416,315	422,340
Other transactions	350,780	338,015
Total expenses	<u>16,881,724</u>	<u>16,977,423</u>
Increase in net assets	<u>\$ 859,281</u>	<u>\$ 891,664</u>

The School District's Funds

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,654,989, which is a decrease of \$47,427 from last year. The primary reasons for the decrease are:

- In the General Fund, our principal operating fund, the fund balance decreased by \$452,298. The decrease was expected as it was approved for capital outlay expenditures and a severance agreement.

- The fund balance of our Food Service Fund increased by \$60,542 and will be used to purchase / update our Food Service facilities and equipment.
- The Debt Service Fund showed an increase of \$42,545. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond-issue related debt service. The fund balance of the Debt Service is reserved since it can only be used for future debt service obligations. In 2006-07, the school district made the first interest payment on a new bond for reconstruction of the pool.
- The Athletics Fund had no ending fund balance as its expenditures are subsidized by General Fund revenues.
- The Capital Project Fund had a fund balance of \$301,784, which is designated for the pool reconstruction project.

Approximately 74% of the District's revenues are received from State sources. The Net State Foundation Grant is based on three variables:

1. The State of Michigan State Aid Act per student foundation allowance.
2. Student enrollment calculated by blending 75 percent of the current year's fall count and 25 percent of the prior year's winter count.
3. The amount raised by the District's non-homestead property tax levy.

Chesaning Union Schools

Management's Discussion and Analysis

For the Year Ended June 30, 2007

Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Chesaning Union Schools' foundation allowance was \$7,085 per student.

Student Enrollment

The District's student enrollment for the fall count of 2006/07 was 1,900 students. This is a decline of 58 students from the previous year. The following summarizes fall student enrollment in the past five years:

Enrollment History

School Year	Student FTE	FTE Change from Prior Year
2006/07	1,900	(58)
2005/06	1,958	(64)
2004/05	2,022	(34)
2003/04	2,056	(13)
2002/03	2,069	(52)

Preliminary student enrollment projections for 2007/08 indicate that enrollments are likely to decline from 2006/07.

Property Taxes Levied for General Operations

The District levied 17.9163 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of

the prior year's Consumer Price Index increase or 5 percent. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, theoretically 50 percent of the market value. The following summarizes the current year local tax revenues as a percent of all general fund revenues for the past five years:

Local Property Tax History

	Local Property Tax Revenue	% of General Fund Revenue
2006/07	\$ 906,488	5.9%
2005/06	870,254	5.6%
2004/05	834,337	5.4%
2003/04	796,669	5.2%
2002/03	782,652	5.0%

Local revenues in the table include the receipt of delinquent taxes from prior years. For the fiscal year ending June 30, 2007, the District had collected all of the current year property taxes.

Capital Assets

At June 30, 2007, the District had \$24,826,928 invested in capital assets including land, buildings, furniture, and equipment. The increase in capital assets is in part due to the pool reconstruction project still in progress as of June 30, 2007.

Chesaning Union Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2007

Capital Assets	2007	2006
Land	\$ 50,000	\$ 50,000
Buildings and improvements	21,243,664	20,999,970
Buses and other vehicles	1,267,076	1,246,557
Furniture and equipment	727,148	721,321
Construction in progress	1,539,040	-
Subtotal	24,826,928	23,017,848
Less accumulated depreciation	(10,872,357)	(10,417,227)
	<u>\$ 13,954,571</u>	<u>\$ 12,600,621</u>

Long-Term Debt

The long-term debt obligations for the District increased from 2005-06 to 2006-07 with the addition of the pool bond project. Over the 2006-07 fiscal year the long-term debt obligations increased from \$6,225,168 to \$6,642,539 as follows:

	<u>Principal</u>	<u>Activity</u>	<u>Principal</u>
Long-term obligations			
Government obligation bonds	\$ 5,930,000	\$ 440,000	\$ 6,370,000
Bus loan	121,886	(22,629)	99,257
Durant Bond	173,282	-	173,282
	<u>\$ 6,225,168</u>	<u>\$ 417,371</u>	<u>\$ 6,642,539</u>

Original versus Revised Budget

The Uniform Budget Act of the State of Michigan requires that a local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The budget for 2006/07 was approved on June 19, 2006 and amended June 18, 2007.

General Fund Revenues

Total Revenues Revised Budget	\$ 15,291,478
Total Revenues Original Budget	<u>15,199,427</u>
	<u>\$ 92,051</u>

The District's actual general fund revenues were more than the revised budget by \$60,219, a variance of 0.4%.

Some of the significant revenue budget adjustments for the year include:

- A decrease in the amount of state foundation grant to \$7,085 (*from the original projection of \$7,100*)
- Changes in actual Title grant and carryover revenues
- An expansion of the Latchkey program provided higher revenues

General Fund Expenditures

Total Expenditures Revised Budget	\$ 15,805,695
Total Expenditures Original Budget	<u>15,511,000</u>
	<u>\$ 294,695</u>

The District's actual general fund expenditures were more than the revised budget by \$45,975, a variance of 0.3%.

Some of the significant expenditure budget adjustments for the year include:

- The addition of a severance agreement
- The addition of a MSPERS credit
- The expansion of the Latchkey program resulted in higher expenditures

Chesaning Union Schools
Management's Discussion and Analysis
For the Year Ended June 30, 2007

Economic Factors and Next Year's Budget and Rates

Since most of the District's revenue is derived from the per pupil foundation allowance, student enrollment as reported in the *blended count* is one of the key factors in forecasting revenue. Once the final student count is known in late September, State law requires the District to amend the budget if actual revenues will vary significantly from those originally appropriated.

Actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. Similar reductions remain a possibility for 2007/08 if state revenues fall short of the projections on which the State Aid Act was based.

Requests for Information

This financial report is designed to give our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional information should be addressed to the Business Office, Chesaning Union Schools, P.O. Box 95, Chesaning, Michigan 48616.

BASIC FINANCIAL STATEMENTS

Chesaning Union Schools
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash	\$ 2,624,906
Accounts receivable	25,504
Due from other governmental units	2,776,015
Interest receivable	7,414
Investments	120,000
Prepaid items	198,914
Other assets	40,512
Capital assets not being depreciated	1,589,040
Capital assets - net of accumulated depreciation	<u>12,365,531</u>
Total assets	<u>19,747,836</u>
Liabilities	
Accounts payable	83,432
State aid anticipation note payable	600,000
Accrued expenditures	241,586
Accrued salaries payable	1,131,768
Deferred revenue	115,478
Noncurrent liabilities	
Due within one year	1,463,512
Due in more than one year	<u>5,466,164</u>
Total liabilities	<u>9,101,940</u>
Net assets	
Invested in capital assets, net of related debt	7,362,407
Restricted for:	
Debt service	371,832
Unrestricted	<u>2,911,657</u>
Total net assets	<u><u>\$ 10,645,896</u></u>

See Accompanying Notes to Financial Statements

Chesaning Union Schools
Statement of Activities
For the Year Ended June 30, 2007

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs				
Governmental activities				
Instruction	\$ 10,178,722	\$ 196,932	\$ 1,194,688	\$ (8,787,102)
Supporting services	5,392,086	31,895	-	(5,360,191)
Food services	543,821	304,029	351,228	111,436
Athletic activities	416,315	92,740	-	(323,575)
Community services	53,897	47,329	-	(6,568)
Interest on long-term debt	296,883	-	-	(296,883)
	<u>\$ 16,881,724</u>	<u>\$ 672,925</u>	<u>\$ 1,545,916</u>	<u>(14,662,883)</u>
General revenues				
Property taxes, levied for general purposes				906,488
Property taxes, levied for debt service				1,658,835
State aid - unrestricted				12,752,205
Interest and investment earnings				166,352
Gain on sale of capital assets				4,675
Other				<u>33,609</u>
				<u>15,522,164</u>
				Change in net assets 859,281
				<u>Net assets - beginning 9,786,615</u>
				<u>Net assets - ending \$ 10,645,896</u>

See Accompanying Notes to Financial Statements

Chesaning Union Schools
Governmental Funds
Balance Sheet
June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 1,536,601	\$ 1,088,305	\$ 2,624,906
Accounts receivable	16,124	9,380	25,504
Due from other funds	134,132	-	134,132
Due from other governmental units	2,776,015	-	2,776,015
Interest receivable	5,851	1,563	7,414
Investments	120,000	-	120,000
Prepaid items	198,750	164	198,914
Total assets	\$ 4,787,473	\$ 1,099,412	\$ 5,886,885
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 63,982	\$ 19,450	\$ 83,432
State aid anticipation note payable	600,000	-	600,000
Due to other funds	-	134,132	134,132
Accrued expenditures	165,147	1,939	167,086
Accrued salaries payable	1,130,543	1,225	1,131,768
Deferred revenue	115,478	-	115,478
Total liabilities	2,075,150	156,746	2,231,896
Fund balance			
Reserved for prepaid items	198,750	164	198,914
Reserved for debt service	-	371,832	371,832
Other undesignated	2,513,573	570,670	3,084,243
Total fund balance	2,712,323	942,666	3,654,989
Total liabilities and fund balance	\$ 4,787,473	\$ 1,099,412	\$ 5,886,885

See Accompanying Notes to Financial Statements

Chesaning Union Schools
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2007

Total fund balances for governmental funds	\$ 3,654,989
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,589,040
Capital assets - net of accumulated depreciation	12,365,531
Other long-term assets are not deferred in the governmental funds.	40,512
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(74,500)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(297,000)
Bonds payable	(6,533,419)
Other loans payable and liabilities	<u>(99,257)</u>
Net assets of governmental activities	<u><u>\$ 10,645,896</u></u>

Chesaning Union Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 1,303,424	\$ 2,137,300	\$ 3,440,724
State sources	13,126,423	49,131	13,175,554
Federal sources	747,551	302,097	1,049,648
Interdistrict sources	174,299	-	174,299
	<u>15,351,697</u>	<u>2,488,528</u>	<u>17,840,225</u>
Expenditures			
Current			
Education			
Instruction	9,939,418	-	9,939,418
Supporting services	5,189,126	-	5,189,126
Food services	-	523,983	523,983
Athletic activities	-	416,315	416,315
Community services	53,897	-	53,897
Capital outlay	310,963	1,551,588	1,862,551
Debt service			
Principal	22,630	1,355,000	1,377,630
Interest and other expenditures	-	294,096	294,096
Bond issuance costs	-	30,311	30,311
	<u>15,516,034</u>	<u>4,171,293</u>	<u>19,687,327</u>
Excess (deficiency) of revenues over expenditures	<u>(164,337)</u>	<u>(1,682,765)</u>	<u>(1,847,102)</u>

See Accompanying Notes to Financial Statements

Chesaning Union Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Other financing sources (uses)			
Proceeds from issuance of bonds	\$ -	\$ 1,795,000	\$ 1,795,000
Proceeds from sale of capital assets	4,675	-	4,675
Transfers in	43,000	335,636	378,636
Transfers out	<u>(335,636)</u>	<u>(43,000)</u>	<u>(378,636)</u>
Total other financing sources (uses)	<u>(287,961)</u>	<u>2,087,636</u>	<u>1,799,675</u>
Net change in fund balance	(452,298)	404,871	(47,427)
Fund balance - beginning	<u>3,164,621</u>	<u>537,795</u>	<u>3,702,416</u>
Fund balance - ending	<u><u>\$ 2,712,323</u></u>	<u><u>\$ 942,666</u></u>	<u><u>\$ 3,654,989</u></u>

See Accompanying Notes to Financial Statements

Chesaning Union Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - Total governmental funds \$ (47,427)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as
revenue in the funds.

Property taxes (103,895)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of
those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (592,601)

Capital outlay 1,946,551

Expenses are recorded when incurred in the statement of activities.

Interest 3,499

Compensated absences 53,000

Bond and note proceeds and capital leases are reported as financing sources in the government funds and thus contribute
to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does
not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces
the liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts
and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt issued (1,795,000)

Repayments of long-term debt 1,377,630

Bond issuance costs 30,311

Amortization of premiums 3,299

Amortization of gain on debt defeasance (9,585)

Amortization bond issuance costs (6,501)

Change in net assets of governmental activities \$ 859,281

See Accompanying Notes to Financial Statements

Chesaning Union Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash	\$ 43,601	\$ 184,031
Investments	<u>-</u>	<u>54,515</u>
Total assets	<u>43,601</u>	<u>\$ 238,546</u>
Liabilities		
Due to student groups	<u>-</u>	<u>\$ 238,546</u>
Net assets		
Reserved for scholarships	<u>\$ 43,601</u>	

See Accompanying Notes to Financial Statements

Chesaning Union Schools
Fiduciary Funds
Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2007

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 13,297
Deductions	
Scholarships	<u>14,216</u>
Change in net assets	(919)
Net assets - beginning	<u>44,520</u>
Net assets - ending	<u><u>\$ 43,601</u></u>

See Accompanying Notes to Financial Statements

Chesaning Union Schools

Notes to Financial Statements

June 30, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Chesaning Union Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all non-fiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Chesaning Union Schools

Notes to Financial Statements

June 30, 2007

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Capital Projects Fund – The Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Trust Funds are funds entrusted to the School District for scholarship awards and loans and the principal and interest of the trust may be spent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of

results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other receivables are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2007, the rates are as follows per \$1,000 of assessed value.

General Fund	
Nonhomestead	17.9163
Debt Service Funds	
Homestead	5.8600
Nonhomestead	5.8600

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 95% of the School District's tax roll lies within Saginaw County. The remaining 5% lies within Shiawassee County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Saginaw and County of Shiawassee and remitted to the School District by May 15.

Chesaning Union Schools

Notes to Financial Statements

June 30, 2007

Investments – Certificates of deposit are stated at cost which approximates fair value.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Site improvements	10-20 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Compensated Absences – Sick days are earned by most employees at the rate of one day per month. A maximum of 170 to 190 unused sick days may be accumulated by an employee. Retiring employees, except for teachers, who meet certain age and years of service requirements, are paid for one-tenth accumulated sick days. Retiring teachers who meet certain age and service requirements are paid \$15 to \$35 for each accumulated sick day.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available

for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Upcoming Accounting and Reporting Change

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause district-wide financial statements to recognize a liability on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009.

Chesaning Union Schools

Notes to Financial Statements

June 30, 2007

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$ 7,322,069	\$ 7,541,189	\$ 219,120
General administration	326,820	327,255	435
School administration	945,354	987,091	41,737
Business	194,840	329,564	134,724
Central	73,400	82,704	9,304
Community services	41,680	53,897	12,217
Capital outlay	298,568	310,963	12,395
Transfers out	323,000	335,636	12,636
Athletics Fund	417,989	428,376	10,387

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 2,624,906	\$ 227,632	\$ 2,852,538
Investments	120,000	54,515	174,515
	<u>\$ 2,744,906</u>	<u>\$ 282,147</u>	<u>\$ 3,027,053</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	<u>\$ 3,027,053</u>
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Interest rate risk – The District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer.

Chesaning Union Schools

Notes to Financial Statements

June 30, 2007

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$ 3,327,554 of the District's bank balance of \$ 3,427,554 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	-	1,539,040	-	1,539,040
Total capital assets not being depreciated	50,000	1,539,040	-	1,589,040
Capital assets being depreciated				
Buildings and additions	20,999,970	243,694	-	21,243,664
Equipment and furniture	721,321	5,827	-	727,148
Buses and other vehicles	1,246,557	157,990	137,471	1,267,076
Total capital assets being depreciated	22,967,848	407,511	137,471	23,237,888
Less accumulated depreciation for				
Buildings and additions	9,172,652	428,878	-	9,601,530
Equipment and furniture	237,404	60,653	-	298,057
Buses and other vehicles	1,007,171	103,070	137,471	972,770
Total accumulated depreciation	10,417,227	592,601	137,471	10,872,357
Net capital assets being depreciated	12,550,621	(185,090)	-	12,365,531
Net capital assets	\$ 12,600,621	\$ 1,353,950	\$ -	\$ 13,954,571

Depreciation expense was charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 376,304
Support services	196,459
Food services	19,838
Total governmental activities	<u>\$ 592,601</u>

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Food Service	General Fund	\$ 103,646
Athletic	General Fund	5,461
Debt service	General Fund	21,883
Pool	General Fund	3,142
		<u>\$ 134,132</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	Transfers Out		
	General Fund	Other Governmental Funds	Total
Transfers in			
General Fund	\$ -	\$ 43,000	\$ 43,000
Other governmental funds	335,636	-	335,636
	<u>\$ 335,636</u>	<u>\$ 43,000</u>	<u>\$ 378,636</u>

Chesaning Union Schools
Notes to Financial Statements
June 30, 2007

Transfers of \$335,636 were made from the general fund to cover the costs of athletic programs that were in excess of revenues generated from those activities. In addition, \$43,000 was transferred from the Food Service Fund to the General Fund to cover indirect costs.

Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Grant and categorical aid payments received prior to meeting eligibility requirements	<u>\$ 115,478</u>

State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 600,000</u>

Note 7 - Long-Term Debt

The School District issues bonds, notes, and other contractual

commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 5,930,000	\$ 1,795,000	\$ 1,355,000	\$ 6,370,000	\$ 1,440,040
Unamortized premium	8,477		3,299	5,178	-
Bus notes	121,886	-	22,629	99,257	23,472
Compensated absences	350,000	-	53,000	297,000	-
Deferred amount on refunding	(24,626)	-	(9,585)	(15,041)	-
Deferred issuance costs	(16,702)	(30,311)	(6,501)	(40,512)	-
Other bonds	<u>173,282</u>	<u>-</u>	<u>-</u>	<u>173,282</u>	<u>-</u>
Total	<u>\$ 6,542,317</u>	<u>\$ 1,764,689</u>	<u>\$ 1,417,842</u>	<u>\$ 6,889,164</u>	<u>\$ 1,463,512</u>

General obligation bonds payable at year end, consists of the following:

\$3,565,000 serial bond due in annual installments of \$530,000 to \$600,000 through May 1, 2010, interest at 3.3% to 3.5%	\$ 1,695,000
\$8,410,000 serial bond due in annual installments of \$910,000 to \$1,000,000 through May 1, 2010, interest at 4.0%	2,880,000
\$1,795,000 serial bond due in annual installments of \$40,000 to \$1,530,000 through May 1, 2011, interest at 4.25%	<u>1,795,000</u>
Total general obligation bonded debt	<u>\$ 6,370,000</u>

Chesaning Union Schools
Notes to Financial Statements
June 30, 2007

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2008	\$ 1,480,000	\$ 249,613	\$ 1,729,613
2009	1,610,000	192,963	1,802,963
2010	1,750,000	131,200	1,881,200
2011	1,530,000	124,825	1,654,825
Total	<u>\$ 6,370,000</u>	<u>\$ 698,601</u>	<u>\$ 7,068,601</u>

The general obligation bonds are payable from the Debt Service Funds. As of year end, the fund had a balance of \$371,832 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$293,468 Durant Refunding serial bonds due in annual installments through 5/15/2013; interest 4.76% due annually	<u>\$ 173,282</u>
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These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2009	\$ 16,332	\$ 4,276	\$ 20,608
2010	100,579	37,884	138,463
2011	17,924	2,684	20,608
2012	18,777	1,831	20,608
2013	19,670	937	20,607
Total	<u>\$ 173,282</u>	<u>\$ 47,612</u>	<u>\$ 220,894</u>

Compensated Absences

Accrued compensated absences at year end, consists of \$ 297,000 of accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty and health and vision claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District has a self-insured vision plan. No accrual has been recorded as of the end of the past three fiscal years, due to the insignificance of the estimated liability for vision claims.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had \$24,940 in unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 9 - Defined Benefit Pension Plan

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPSERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

Chesaning Union Schools

Notes to Financial Statements

June 30, 2007

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

Funding Policy

The School is required by State statute to contribute to MPERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPERS funding for the three-year period beginning July 1, 2004 through June 30, 2007.

	2007	2006	2005
Funding percentage range	16.34-17.74%	14.87-16.34%	12.99-14.87%
Total payroll	\$ 9,715,273	\$ 9,467,946	\$ 9,316,805
Total covered payroll	9,598,658	6,352,735	9,195,554
School contributions	1,534,945	1,346,022	1,194,650
Employee MIP contributions	281,615	266,298	258,059
Portion of school contribution covering health, dental and vision benefits	37%	40%	44%

Trend Information

Ten-year historical trend information is presented in the September 30, 2006, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2005, the latest date for which information is

available, approximates \$ 48.2 billion and \$ 38.2 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPERS was less than 1% for the year ended September 30, 2006.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2006, statewide expenditures of \$ 694 million were recognized for post-retirement health care, dental and vision. This represented approximately 20% of the total expenditures of the Michigan Public School Employees Retirement System.

Note 10 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2007.

Note 11 - Subsequent Event

Subsequent to June 30, 2007, the School District has paid the balance of the \$600,000 and accrued interest on the short-term state aid anticipation note borrowed in August of 2006 and has subsequently borrowed an additional \$600,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. Proceeds from the borrowing will be distributed to the School District August of 2007.

REQUIRED SUPPLEMENTAL INFORMATION

Chesaning Union Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 1,151,875	\$ 1,248,120	\$ 1,303,424	\$ 55,304
State sources	13,102,925	13,077,198	13,126,423	49,225
Federal sources	453,927	819,160	747,551	(71,609)
Interdistrict sources	490,700	147,000	174,299	27,299
Total revenues	15,199,427	15,291,478	15,351,697	60,219
Expenditures				
Instruction				
Basic programs	7,436,497	7,322,069	7,541,189	219,120
Added needs	2,384,336	2,701,350	2,398,229	(303,121)
Supporting services				
Pupil	688,182	703,815	678,314	(25,501)
Instructional staff	308,280	272,079	257,287	(14,792)
General administration	356,026	326,820	327,255	435
School administration	884,558	945,354	987,091	41,737
Business	232,593	194,840	329,564	134,724
Operations and maintenance	1,642,855	1,747,390	1,726,153	(21,237)
Pupil transportation services	856,193	755,135	735,674	(19,461)
Central	116,000	73,400	82,704	9,304
Other	101,375	77,565	65,084	(12,481)
Community services	35,120	41,680	53,897	12,217
Capital outlay	138,985	298,568	310,963	12,395
Debt service				
Principal	-	22,630	22,630	-
Total expenditures	15,181,000	15,482,695	15,516,034	33,339
Excess (deficiency) of revenues over expenditures	18,427	(191,217)	(164,337)	26,880

Chesaning Union Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other financing sources (uses)				
Proceeds from sale of capital assets	\$ -	\$ 4,675	\$ 4,675	\$ -
Transfers in	38,000	43,000	43,000	-
Transfers out	<u>(330,000)</u>	<u>(323,000)</u>	<u>(335,636)</u>	<u>(12,636)</u>
Total other financing sources (uses)	<u>(292,000)</u>	<u>(275,325)</u>	<u>(287,961)</u>	<u>(12,636)</u>
Net change in fund balance	(273,573)	(466,542)	(452,298)	14,244
Fund balance - beginning	<u>3,164,621</u>	<u>3,164,621</u>	<u>3,164,621</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 2,891,048</u></u>	<u><u>\$ 2,698,079</u></u>	<u><u>\$ 2,712,323</u></u>	<u><u>\$ 14,244</u></u>

OTHER SUPPLEMENTAL INFORMATION

Chesaning Union Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Capital Project Fund Pool</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletic</u>			
Assets					
Cash	\$ 370,007	\$ 4,397	\$ 392,217	\$ 321,684	\$ 1,088,305
Accounts receivable	4,325	2,840	-	2,215	9,380
Interest receivable	-	-	1,563	-	1,563
Prepaid items	164	-	-	-	164
Total assets	<u>\$ 374,496</u>	<u>\$ 7,237</u>	<u>\$ 393,780</u>	<u>\$ 323,899</u>	<u>\$ 1,099,412</u>
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 352	\$ 60	\$ 65	\$ 18,973	\$ 19,450
Due to other funds	103,646	5,461	21,883	3,142	134,132
Accrued expenditures	790	1,149	-	-	1,939
Accrued salaries payable	658	567	-	-	1,225
Total liabilities	<u>105,446</u>	<u>7,237</u>	<u>21,948</u>	<u>22,115</u>	<u>156,746</u>
Fund balance					
Reserved for prepaid items	164	-	-	-	164
Reserved for debt service	-	-	371,832	-	371,832
Other undesignated	268,886	-	-	301,784	570,670
Total fund balance	<u>269,050</u>	<u>-</u>	<u>371,832</u>	<u>301,784</u>	<u>942,666</u>
Total liabilities and fund balance	<u>\$ 374,496</u>	<u>\$ 7,237</u>	<u>\$ 393,780</u>	<u>\$ 323,899</u>	<u>\$ 1,099,412</u>

Chesaning Union Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Capital Project Fund Pool</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletic</u>			
Revenues					
Local sources	\$ 304,029	\$ 92,740	\$ 1,691,641	\$ 48,890	\$ 2,137,300
State sources	49,131	-	-	-	49,131
Federal sources	302,097	-	-	-	302,097
	<u>655,257</u>	<u>92,740</u>	<u>1,691,641</u>	<u>48,890</u>	<u>2,488,528</u>
Total revenues					
Expenditures					
Current					
Education					
Food services	523,983	-	-	-	523,983
Athletic activities	-	416,315	-	-	416,315
Capital outlay	27,732	12,061	-	1,511,795	1,551,588
Debt service					
Principal	-	-	1,355,000	-	1,355,000
Interest and other expenditures	-	-	294,096	-	294,096
Bond issuance costs	-	-	-	30,311	30,311
	<u>551,715</u>	<u>428,376</u>	<u>1,649,096</u>	<u>1,542,106</u>	<u>4,171,293</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>103,542</u>	<u>(335,636)</u>	<u>42,545</u>	<u>(1,493,216)</u>	<u>(1,682,765)</u>

Chesaning Union Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>	<u>Capital Project Fund Pool</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletic</u>			
Other financing sources (uses)					
Proceeds from issuance of bonds	\$ -	\$ -	\$ -	\$ 1,795,000	\$ 1,795,000
Transfers in	-	335,636	-	-	335,636
Transfers out	<u>(43,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,000)</u>
Total other financing sources (uses)	<u>(43,000)</u>	<u>335,636</u>	<u>-</u>	<u>1,795,000</u>	<u>2,087,636</u>
Net change in fund balance	60,542	-	42,545	301,784	404,871
Fund balance - beginning	<u>208,508</u>	<u>-</u>	<u>329,287</u>	<u>-</u>	<u>537,795</u>
Fund balance - ending	<u>\$ 269,050</u>	<u>\$ -</u>	<u>\$ 371,832</u>	<u>\$ 301,784</u>	<u>\$ 942,666</u>

Chesaning Union Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2007

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 1,536,601	\$ 1,932,407
Taxes receivable	-	103,895
Accounts receivable	16,124	19,977
Due from other funds	134,132	91,642
Due from other governmental units	2,776,015	2,790,207
Interest receivable	5,851	-
Investments	120,000	120,000
Prepaid items	<u>198,750</u>	<u>44,824</u>
Total assets	<u><u>\$ 4,787,473</u></u>	<u><u>\$ 5,102,952</u></u>
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 63,982	\$ 32,844
State aid anticipation note payable	600,000	600,000
Accrued expenditures	165,147	311,397
Accrued salaries payable	1,130,543	845,800
Deferred revenue	<u>115,478</u>	<u>148,290</u>
Total liabilities	<u>2,075,150</u>	<u>1,938,331</u>
Fund balance		
Reserved for prepaid items	198,750	44,824
Other undesignated	<u>2,513,573</u>	<u>3,119,797</u>
Total fund balance	<u>2,712,323</u>	<u>3,164,621</u>
Total liabilities and fund balance	<u><u>\$ 4,787,473</u></u>	<u><u>\$ 5,102,952</u></u>

Chesaning Union Schools
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue from local sources				
Property tax levy	\$ 893,475	\$ 955,940	\$ 1,010,383	\$ 54,443
Tuition	32,500	18,580	19,943	1,363
Transportation fees	36,000	18,200	31,895	13,695
Earnings on investments	73,000	85,000	84,656	(344)
Other local revenues	116,900	170,400	156,547	(13,853)
Total revenues from local sources	1,151,875	1,248,120	1,303,424	55,304
Revenues from state sources				
Grants - unrestricted	12,596,525	12,653,174	12,791,726	138,552
Grants - restricted	506,400	424,024	334,697	(89,327)
Total revenues from state sources	13,102,925	13,077,198	13,126,423	49,225
Revenues from federal sources				
Grants	453,927	819,160	747,551	(71,609)
Interdistrict sources				
ISD collected millage	487,200	22,000	21,636	(364)
Other	3,500	125,000	152,663	27,663
Total interdistrict sources	490,700	147,000	174,299	27,299
Other financing sources				
Proceeds from sale of capital assets	-	4,675	4,675	-
Transfers in	38,000	43,000	43,000	-
Total other financing sources	38,000	47,675	47,675	-
Total revenue and other financing sources	<u>\$ 15,237,427</u>	<u>\$ 15,339,153</u>	<u>\$ 15,399,372</u>	<u>\$ 60,219</u>

Chesaning Union Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Basic program - elementary				
Salaries	\$ 1,872,069	\$ 1,808,740	\$ 1,885,461	\$ 76,721
Employee benefits	810,836	931,020	943,361	12,341
Purchased services	4,400	3,276	3,525	249
Supplies and materials	49,550	44,617	45,065	448
	<u>2,736,855</u>	<u>2,787,653</u>	<u>2,877,412</u>	<u>89,759</u>
Total elementary				
Basic program - middle school				
Salaries	1,353,081	1,322,542	1,433,528	110,986
Employee benefits	673,334	650,630	678,433	27,803
Purchased services	750	1,388	1,457	69
Supplies and materials	27,900	23,581	23,555	(26)
Other	1,000	733	733	-
	<u>2,056,065</u>	<u>1,998,874</u>	<u>2,137,706</u>	<u>138,832</u>
Total middle school				
Basic program - high school				
Salaries	1,638,177	1,552,131	1,512,584	(39,547)
Employee benefits	769,021	764,855	766,715	1,860
Purchased services	106,500	100,040	107,499	7,459
Supplies and materials	49,800	47,060	46,748	(312)
Other	10,900	2,687	2,852	165
	<u>2,574,398</u>	<u>2,466,773</u>	<u>2,436,398</u>	<u>(30,375)</u>
Total high school				

Chesaning Union Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Basic program - pre-school				
Salaries	\$ 52,600	\$ 51,596	\$ 67,861	\$ 16,265
Employee benefits	13,279	12,730	17,244	4,514
Supplies and materials	<u>3,300</u>	<u>4,443</u>	<u>4,568</u>	<u>125</u>
Total pre-school	<u>69,179</u>	<u>68,769</u>	<u>89,673</u>	<u>20,904</u>
Added needs - special education				
Salaries	980,117	1,145,160	1,083,156	(62,004)
Employee benefits	415,754	476,485	419,727	(56,758)
Purchased services	74,800	55,100	31,293	(23,807)
Supplies and materials	<u>8,000</u>	<u>4,810</u>	<u>4,718</u>	<u>(92)</u>
Total special education	<u>1,478,671</u>	<u>1,681,555</u>	<u>1,538,894</u>	<u>(142,661)</u>
Added needs - compensatory education				
Salaries	483,328	525,295	414,477	(110,818)
Employee benefits	119,196	191,815	141,656	(50,159)
Purchased services	3,000	9,575	15,625	6,050
Supplies and materials	<u>49,500</u>	<u>37,520</u>	<u>37,515</u>	<u>(5)</u>
Total compensatory education	<u>655,024</u>	<u>764,205</u>	<u>609,273</u>	<u>(154,932)</u>

Chesaning Union Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Added needs - career and technical education				
Salaries	\$ 156,632	\$ 159,165	\$ 159,175	\$ 10
Employee benefits	73,109	82,920	78,867	(4,053)
Purchased services	12,900	5,690	3,873	(1,817)
Supplies and materials	8,000	7,815	8,147	332
	<u>250,641</u>	<u>255,590</u>	<u>250,062</u>	<u>(5,528)</u>
Total career and technical education				
Pupil - guidance services				
Salaries	240,703	228,565	212,156	(16,409)
Employee benefits	100,534	118,445	111,978	(6,467)
Purchased services	2,700	1,465	1,435	(30)
Supplies and materials	2,500	1,535	1,530	(5)
	<u>346,437</u>	<u>350,010</u>	<u>327,099</u>	<u>(22,911)</u>
Total guidance services				
Pupil - psychological services				
Purchased services	52,500	52,500	59,415	6,915
Pupil - speech services				
Salaries	124,476	124,480	124,476	(4)
Employee benefits	45,226	48,370	48,050	(320)
Purchased services	1,500	1,350	1,644	294
Supplies and materials	500	-	-	-
	<u>171,702</u>	<u>174,200</u>	<u>174,170</u>	<u>(30)</u>
Total speech services				

Chesaning Union Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Pupil - social work services				
Purchased services	\$ 52,500	\$ 52,500	\$ 55,920	\$ 3,420
Pupil - other support services				
Salaries	52,035	61,350	49,909	(11,441)
Employee benefits	<u>13,008</u>	<u>13,255</u>	<u>11,801</u>	<u>(1,454)</u>
Total other pupil support services	<u>65,043</u>	<u>74,605</u>	<u>61,710</u>	<u>(12,895)</u>
Instructional staff - improvement of education				
Purchased services	800	2,500	2,134	(366)
Supplies and materials	<u>70,000</u>	<u>2,860</u>	<u>2,859</u>	<u>(1)</u>
Total improvement of education	<u>70,800</u>	<u>5,360</u>	<u>4,993</u>	<u>(367)</u>
Instructional staff - educational media services				
Salaries	29,165	25,280	26,650	1,370
Employee benefits	4,762	6,985	6,713	(272)
Purchased services	9,500	1,340	2,361	1,021
Supplies and materials	<u>8,390</u>	<u>6,995</u>	<u>6,969</u>	<u>(26)</u>
Total educational media services	<u>51,817</u>	<u>40,600</u>	<u>42,693</u>	<u>2,093</u>

Chesaning Union Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Instructional staff - technology assisted instruction				
Salaries	\$ -	\$ 14,469	\$ -	\$ (14,469)
Supplies and materials	-	540	515	(25)
Total technology assisted instruction	-	15,009	515	(14,494)
Instructional staff - supervision and direction of instructional staff				
Salaries	17,350	11,475	11,350	(125)
Employee benefits	1,763	7,570	7,106	(464)
Purchased services	3,900	3,765	3,421	(344)
Supplies and materials	800	380	375	(5)
Other	-	175	172	(3)
Total supervision and direction of instructional staff	23,813	23,365	22,424	(941)
Instructional staff - academic student assessment				
Salaries	116,500	126,720	129,362	2,642
Employee benefits	38,050	53,025	52,624	(401)
Purchased services	6,100	8,000	4,676	(3,324)
Supplies and materials	1,200	-	-	-
Total academic student assessment	161,850	187,745	186,662	(1,083)

Chesaning Union Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
General administration - board of education				
Salaries	\$ 6,000	\$ 400	\$ 2,940	\$ 2,540
Purchased services	72,800	58,600	61,818	3,218
Supplies and materials	4,000	3,000	1,766	(1,234)
Other	5,200	6,000	5,928	(72)
	<u>88,000</u>	<u>68,000</u>	<u>72,452</u>	<u>4,452</u>
Total board of education				
General administration - executive administration				
Salaries	167,600	161,230	162,517	1,287
Employee benefits	70,126	72,440	66,211	(6,229)
Purchased services	20,500	18,800	18,304	(496)
Supplies and materials	7,000	4,950	6,394	1,444
Other	2,800	1,400	1,377	(23)
	<u>268,026</u>	<u>258,820</u>	<u>254,803</u>	<u>(4,017)</u>
Total executive administration				
School administration - office of the principal				
Salaries	650,166	651,312	692,694	41,382
Employee benefits	197,262	262,942	263,836	894
Purchased services	30,000	21,420	26,283	4,863
Supplies and materials	4,250	7,550	7,548	(2)
Other	2,880	2,130	(3,270)	(5,400)
	<u>884,558</u>	<u>945,354</u>	<u>987,091</u>	<u>41,737</u>
Total office of the principal				
Business - fiscal services				
Salaries	145,000	102,000	97,089	(4,911)
Employee benefits	57,593	45,970	33,223	(12,747)
	<u>202,593</u>	<u>147,970</u>	<u>130,312</u>	<u>(17,658)</u>
Total fiscal services				

Chesaning Union Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Business - other				
Salaries	\$ -	\$ -	\$ 110,000	\$ 110,000
Other	<u>30,000</u>	<u>46,870</u>	<u>89,252</u>	<u>42,382</u>
Total other business	<u>30,000</u>	<u>46,870</u>	<u>199,252</u>	<u>152,382</u>
Operations and maintenance - operating building services				
Salaries	431,139	500,600	480,412	(20,188)
Employee benefits	253,103	245,000	277,018	32,018
Purchased services	764,100	819,915	810,269	(9,646)
Supplies and materials	<u>143,000</u>	<u>131,000</u>	<u>126,829</u>	<u>(4,171)</u>
Total operating building services	<u>1,591,342</u>	<u>1,696,515</u>	<u>1,694,528</u>	<u>(1,987)</u>
Operations and maintenance - security services				
Purchased services	50,513	50,875	31,625	(19,250)
Supplies and materials	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total security services	<u>51,513</u>	<u>50,875</u>	<u>31,625</u>	<u>(19,250)</u>
Pupil transportation services				
Salaries	374,400	345,945	359,432	13,487
Employee benefits	139,993	133,500	136,767	3,267
Purchased services	74,200	57,190	58,321	1,131
Supplies and materials	242,600	218,500	181,154	(37,346)
Other	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transportation services	<u>856,193</u>	<u>755,135</u>	<u>735,674</u>	<u>(19,461)</u>

Chesaning Union Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Central - support services technology				
Purchased services	\$ 116,000	\$ 73,400	\$ 82,704	\$ 9,304
Other supporting services				
Employee benefits	101,375	77,565	65,084	(12,481)
Community services - direction				
Employee benefits	-	1,100	947	(153)
Supplies and materials	-	-	754	754
Total direction	-	1,100	1,701	601
Community services - community recreation				
Salaries	-	3,760	9,151	5,391
Employee benefits	-	935	2,170	1,235
Supplies and materials	-	685	683	(2)
Total community recreation	-	5,380	12,004	6,624
Community services - custody and care of children				
Salaries	24,500	27,000	28,800	1,800
Employee benefits	6,220	4,500	7,195	2,695
Purchased services	-	700	753	53
Supplies and materials	4,400	3,000	3,444	444
Total custody and care of children	35,120	35,200	40,192	4,992

Chesaning Union Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Capital outlay				
Basic program - elementary	\$ 18,500	\$ 9,548	\$ 11,731	\$ 2,183
Basic program - middle school	11,000	12,043	12,694	651
Basic program - high school	13,000	9,500	10,117	617
Added needs - special education	520	77	77	-
Added needs - compensatory education	-	1,585	1,582	(3)
Added needs - career and technical education	3,000	-	2,510	2,510
Instructional staff - improvement of education	70,000	78,000	80,025	2,025
Instructional staff - educational media services	2,100	115	111	(4)
Instructional staff - supervision and direction of instructional staff	665	1,125	1,122	(3)
Instructional staff - academic student assessment	200	-	-	-
General administration - executive administration	4,000	1,100	1,572	472
School administration - office of the principal	-	950	927	(23)
Business - other	-	4,535	4,534	(1)
Operations and maintenance - operating building services	14,000	22,000	25,971	3,971
Pupil transportation services	2,000	157,990	157,990	-
	<u>138,985</u>	<u>298,568</u>	<u>310,963</u>	<u>12,395</u>
Total capital outlay				
	<u>138,985</u>	<u>298,568</u>	<u>310,963</u>	<u>12,395</u>
Debt service				
Principal	-	22,630	22,630	-
	<u>-</u>	<u>22,630</u>	<u>22,630</u>	<u>-</u>
Other financing uses				
Transfers out	330,000	323,000	335,636	12,636
	<u>330,000</u>	<u>323,000</u>	<u>335,636</u>	<u>12,636</u>
Total expenditures and financing uses	<u>\$ 15,511,000</u>	<u>\$ 15,805,695</u>	<u>\$ 15,851,670</u>	<u>\$ 45,975</u>

Chesaning Union Schools
Other Supplemental Information
Trust and Agency Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2007

	Due to Student Groups July 1, 2006	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2007
Student activities				
Albee teacher lounge	\$ 739	\$ 1,760	\$ 1,086	\$ 1,413
Art club	747	-	-	747
Equestrian club	30	-	-	30
Auto mechanics	695	1,561	1,666	590
Chesaning Association for the Performing Arts	5,457	9,759	12,450	2,766
Communications team	542	-	-	542
Future Farmers of America	743	7,126	7,463	406
Forensics club	448	-	448	-
National Honor Society	2,507	2,689	2,384	2,812
S.A.D.D.	246	1,266	1,080	432
Renaissance	5,478	11,074	5,630	10,922
Special education fund	4,784	5,597	6,091	4,290
Student support group	206	400	641	(35)
Yearbook	3,465	49,929	51,717	1,677
Agri science	7,139	1,446	822	7,763
Key club	356	4,101	3,650	807
WCHS	802	1,730	1,086	1,446
Winter Guard	50	-	-	50
Drivers Ed	31,857	34,251	29,447	36,661
International Club	976	-	-	976
Boys basketball	1,482	1,175	1,105	1,552
Girls basketball camp	605	1,143	470	1,278
Cross country	806	6,363	6,336	833
Football jerseys	12,046	11,318	16,503	6,861
Athletic development fund	2,625	13,032	11,888	3,769
Cheerleader camp	9,177	28,656	32,347	5,486
Band program	-	500	376	124
Girls softball	671	1,263	1,146	788

Chesaning Union Schools
Other Supplemental Information
Trust and Agency Funds
Statement of Changes in Amounts Due to Student Groups
For the Year Ended June 30, 2007

	Due to Student Groups July 1, 2006	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2007
Golf	\$ 496	\$ 2,470	\$ 2,538	\$ 428
Volleyball	427	2,441	2,526	342
Junior State	-	7,265	7,017	248
Class of 2005	5	-	-	5
Class of 2006	1,809	-	1,809	-
Class of 2007	7,019	14,584	18,224	3,379
Class of 2008	6,214	4,094	1,079	9,229
Class of 2009	1,100	1,529	785	1,844
Class of 2010	-	1,741	54	1,687
Class of 2011	-	500	-	500
MMCSC	1,780	424	-	2,204
Middle school conservation	50	-	-	50
Middle school media	1,494	7,945	7,891	1,548
Middle school student council	3,301	56,373	51,033	8,641
Middle school rental	11,685	8,007	508	19,184
CO pop account	874	1,239	1,399	714
Big Rock parent group	-	21,045	21,045	-
Albee student council	401	-	401	-
Big Rock student council	26,988	28,945	21,273	34,660
Brady student council	2,120	7,230	7,959	1,391
High school student council	12,036	29,013	30,171	10,878
Latchkey	-	677	201	476
Special Education	2,086	490	-	2,576
Total student activities	174,564	392,151	371,745	194,970
Revolving funds	47,859	104,285	108,568	43,576
Total activity funds	<u>\$ 222,423</u>	<u>\$ 496,436</u>	<u>\$ 480,313</u>	<u>\$ 238,546</u>

Chesaning Union Schools
Other Supplemental Information
Scholarship Funds
Detailed Statement of Changes in Net Assets
For the Year Ended June 30, 2007

	<u>Additions</u>	<u>Deletions</u>	<u>Change in Net Assets</u>	<u>Net Assets (Deficit) July 1, 2006</u>	<u>Net Assets (Deficit) June 30, 2007</u>
Marge-Bell-Manning	\$ -	\$ 200	\$ (200)	\$ 3,202	\$ 3,002
Joseph Glaska	-	500	(500)	1,607	1,107
Bauer	-	-	-	9,338	9,338
Mary Glaska	-	500	(500)	4,874	4,374
Greenbaum	-	-	-	1,705	1,705
Horney	-	300	(300)	1,695	1,395
McCormick	-	-	-	1,254	1,254
Sovis	-	500	(500)	1,331	831
Misiuk	100	100	-	156	156
Administrator Scholarship	-	-	-	19	19
Showboat	2,400	2,800	(400)	(10)	(410)
J Suppes Memorial	650	450	200	-	200
Lioness	750	1,200	(450)	510	60
Education Foundation	-	-	-	1,538	1,538
Rotary	400	400	-	(2)	(2)
Stewart	830	-	830	790	1,620
CEA	500	300	200	(1)	199
Chamber of Commerce	1,000	1,000	-	122	122
Krause	-	-	-	4,927	4,927
Board of Education	60	-	60	579	639
Don Flory Memorial	-	300	(300)	317	17
Wesley Scholarship	-	-	-	17	17
Bill LaPeak	200	200	-	815	815
Madelyn Marie Rowe	-	500	(500)	510	10
Wanda Langenderfer	-	-	-	206	206
Board of Education	5,657	2,966	2,691	5,139	7,830
Norwin Braun	-	300	(300)	2,704	2,404
Nathanel Memmer	-	200	(200)	207	7
Jessica Zajdlik	500	1,000	(500)	716	216
Lawrence Haak	250	500	(250)	255	5
Total	<u>\$ 13,297</u>	<u>\$ 14,216</u>	<u>\$ (919)</u>	<u>\$ 44,520</u>	<u>\$ 43,601</u>

Chesaning Union Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2007

Amount of Issue	Interest Rate	Maturity Date	Annual Maturity	Interest Payments	Interest Payments	Annual Requirement
2005 Pool Bonds						
			Due 5/1	Due 11/1	Due 5/1	
\$ 3,565,000	4.250%	2007-08	\$ 40,000	\$ 38,144	\$ 38,144	\$ 116,288
	4.250%	2008-09	75,000	37,294	37,294	149,588
	4.250%	2009-10	150,000	35,700	35,700	221,400
	4.250%	20010-11	<u>1,530,000</u>	<u>32,513</u>	<u>32,513</u>	<u>1,595,026</u>
			<u>\$ 1,795,000</u>	<u>\$ 143,651</u>	<u>\$ 143,651</u>	<u>\$ 2,082,302</u>
<u>2003 Refunding Bonds</u>						
			Due 5/1	Due 11/1	Due 5/1	
\$ 3,565,000	3.500%	2007-08	\$ 530,000	\$ 29,062	\$ 29,063	\$ 588,125
	3.500%	2008-09	565,000	19,787	19,788	604,575
	3.300%	2009-10	<u>600,000</u>	<u>9,900</u>	<u>9,900</u>	<u>619,800</u>
			<u>\$ 1,695,000</u>	<u>\$ 58,749</u>	<u>\$ 58,751</u>	<u>\$ 1,812,500</u>
<u>1998 School Building and Site Bonds</u>						
			Due 5/1	Due 11/1	Due 5/1	
\$8,410,000	4.000%	2007-08	\$ 910,000	\$ 57,600	\$ 57,600	\$ 1,025,200
	4.000%	2008-09	970,000	39,400	39,400	1,048,800
	4.000%	2009-10	<u>1,000,000</u>	<u>20,000</u>	<u>20,000</u>	<u>1,040,000</u>
			<u>\$ 2,880,000</u>	<u>\$ 117,000</u>	<u>\$ 117,000</u>	<u>\$ 3,114,000</u>

Chesaning Union Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness (Continued)
6/30/2007

<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Annual Maturity</u>	<u>Interest Payments</u>	<u>Annual Requirement</u>
<u>1998 Durant Building and Site Bonds</u>			Due 5/15	Due 5/15	
\$293,468	4.760%	2007-08	\$ -	\$ -	\$ -
		2008-09	16,332	4,276	20,608
		2009-10	100,579	37,884	138,463
		2010-11	17,924	2,684	20,608
		2011-12	18,777	1,831	20,608
		2012-13	19,670	937	20,607
			<u>\$ 173,282</u>	<u>\$ 47,612</u>	<u>\$ 220,894</u>

Chesaning Union Schools

Chesaning, Michigan

Single Audit Report

June 30, 2007

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Board of Education
Chesaning Union Schools
Chesaning, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chesaning Union Schools as of and for the year ended June 30, 2007, which collectively comprise Chesaning Union Schools' basic financial statements and have issued our report thereon dated September 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Chesaning Union Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chesaning Union Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chesaning Union Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below we identified certain deficiencies in internal control over financial reporting to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as noted at 2007-1 and 2007-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chesaning Union Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Chesaning Union Schools in a separate letter dated September 17, 2007.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
September 17, 2007

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Members of the Board of Education
Chesaning Union Schools
Chesaning, Michigan

Compliance

We have audited the compliance of Chesaning Union Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Chesaning Union Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Chesaning Union Schools' management. Our responsibility is to express an opinion on Chesaning Union Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chesaning Union Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chesaning Union Schools' compliance with those requirements.

In our opinion, Chesaning Union Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-3

Internal Control over Compliance

The management of Chesaning Union Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Chesaning Union Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing

procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-1 and 2007-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chesaning Union Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated September 17, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Chesaning Union Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
September 17, 2007

Chesaning Union Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor Pass Through Grantor Program Title Grantor Number		Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue at July 1, 2006	(Memo Only) Prior Year Expenditures	Current year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue at June 30, 2007
U.S. Department of Agriculture									
Nutrition Cluster									
Passed through Michigan Department of Education									
061970 Breakfast		10.553	\$ 67,049	\$ -	\$ 60,022	\$ 7,027	\$ 7,027	\$ -	\$ -
071970 Breakfast			66,047	-	-	66,047	66,047	-	-
				-		73,074	73,074	-	-
National School Lunch program									
		10.555							
061950 Sec 4 - Total Servings			36,683	-	32,362	4,321	4,321	-	-
071950 Sec 4 - Total Servings			163,066	-	144,902	18,164	18,164	-	-
061950 Sec. 11 - Free and Reduced			36,159	-	-	36,159	36,159	-	-
071950 Sec. 11 - Free and Reduced			154,120	-	-	154,120	154,120	-	-
061980 Local Wellness Policy			500	-	-	500	500	-	-
				-		213,264	213,264	-	-
				-		286,338	286,338	-	-
Passed through Michigan Department of Education									
Food Distribution									
Entitlement Commodities		10.550	15,759	-	-	15,759	15,759	-	-
Total U.S. Department of Agriculture				-		302,097	302,097	-	-
U.S. Department of Education									
Special Education Cluster									
Passed through Saginaw Intermediate School District									
0604500506 IDEA Flowthrough		84.027	338,557	168,664	338,557	-	168,664	-	-
0704500607 IDEA Flowthrough			337,887	-	-	337,887	-	-	337,887
0704400607 Self Review			4,500	-	-	4,500	-	-	4,500
0704600607 Preschool incentive		84.173	16,499	-	-	16,499	-	-	16,499
				168,664		358,886	168,664	-	358,886

Chesaning Union Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor Pass Through Grantor Program Title Grantor Number	Federal CFDA Number	Approved Grant Amount	Accrued (Deferred) Revenue at July 1, 2006	(Memo Only) Prior Year Expenditures	Current year Expenditures	Current Year Receipts	Adjustments	Accrued (Deferred) Revenue at June 30, 2007
U. S. Department of Education								
Passed through Michigan Department of Education								
0615300506 Title 1	84.010	\$ 308,456	\$ 149,583	\$ 308,456	\$ -	\$ 149,583	\$ -	\$ -
0615300607 Title 1		9,269	-	-	9,269	9,269	-	-
0715300607 Title 1		278,457	-	-	192,064	142,064	-	50,000
			149,583		201,333	300,916	-	50,000
Passed through Saginaw Intermediate School District								
061340190 Infant and Toddler Formula	84.181	2,150	2,150	-	2,150	2,150	-	2,150
Passed through Saginaw Intermediate School District								
0728600607 Safe and Drug Free Schools	84.186	3,314	-	-	3,314	-	-	3,314
Passed through Michigan Department of Education								
0602500506 Title V	84.298	822	822	822	-	822	-	-
Passed through Michigan Department of Education								
0642900506 Technology Literacy Challenge	84.318	5,927	5,927	5,927	-	5,927	-	-
0742900607 Technology Literacy Challenge		2,858	-	-	2,858	-	-	2,858
		8,785	5,927		2,858	5,927	-	2,858
Passed through Michigan Department of Education								
0605200506 Title II - Improving Teacher Quality	84.367	66,396	6,942	66,396	-	6,942	-	-
0605200607 Title II - Improving Teacher Quality		52,515	-	-	52,515	23,966	-	28,549
0705200607 Title II - Improving Teacher Quality		118,069	-	-	118,069	112,297	-	5,772
			6,942		170,584	143,205	-	34,321
Total U.S. Department of Education			334,088		739,125	621,684	-	451,529
U.S. Department of Health and Human Services								
Passed through Saginaw Intermediate School District								
Medicaid Outreach	93.778	8,426	-	-	8,426	8,426	-	-
Total U.S. Department of Health and Human Services			-		8,426	8,426	-	-
Total federal programs			\$ 334,088		\$ 1,049,648	\$ 932,207	\$ -	\$ 451,529

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Chesaning Union Schools
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2007

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2007.
3. The federal amounts reported on the forms Grant Auditor Report and Form R-7120 "Grant Sections Auditor's Report" are in agreement with the Schedule of Expenditures of Federal Awards.
4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.

Chesaning Union Schools
Schedule of Findings and Questioned Costs
June 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) identified that are not considered to be material weakness(es)? X yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 X yes no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027
84.173

IDEA Flowthrough
Preschool Incentive

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X yes no

Chesaning Union Schools
Schedule of Findings and Questioned Costs
June 30, 2007
(continued)

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

Finding 2007-1:

Criteria:	Internal control tasks not performed timely.
Condition:	Reconciled balance for operating cash does not agree to the general ledger control account.
Effect:	Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.
Cause:	Bank reconciliations for operating cash account are being performed but they are not being reconciled to the general ledger balances.
Recommendation:	All bank accounts are reconciled each month prior to preparation of the monthly financial statements.
Management's response:	The District will reconcile bank accounts on a monthly basis.

Finding 2007-2:

Criteria:	Required support for journal entries are not retained.
Condition:	We were unable to obtain support for several of the postings looked at during the course of the audit.
Effect:	Due to and from other fund accounts were out of balance.
Cause:	Entries were not posted correctly and there was no support for someone to review to determine that it had been posted incorrectly.
Recommendation:	All journal entries should have supporting documentation and be reviewed by someone other than the preparer.
Management's response:	The District will attach support to all journal entries and set up a review process.

SECTION III - FEDERAL AWARD FINDINGS

Finding 2007-3:

Criteria:	Certifications were not completed for employees charged to the Special Education Cluster.
Condition:	Employees that have 100% of their time charged to the program do not have documentation to prove this as required.
Effect:	District is not in compliance with requirements.
Cause:	Semi-Annual certifications are not completed.
Recommendation:	Certifications should be completed and signed by employees on a semi-annual basis.
Management's response:	The District will begin to complete these certifications on a semi-annual basis.

Chesaning Union Schools
Summary Schedule of Prior Audit Findings
June 30, 2007

SECTION IV – PRIOR AUDIT FINDINGS

Finding 2006-1:

Criteria:	Internal control tasks not performed timely.
Condition:	Reconciled balance for operating cash does not agree to the general ledger control account.
Effect:	Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.
Cause:	Bank reconciliations for operating cash account not performed timely.
Recommendation:	All bank accounts are reconciled each month prior to preparation of the monthly financial statements.
Management's response:	The District will reconcile bank accounts on a monthly basis.

This continued to be an issue during 2006-07.

To the Management and
Board of Education of
Chesaning Union Schools

In planning and performing our audit of the financial statements of Chesaning Union Schools for the year ended June 30, 2007, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control system.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 17, 2007, on the financial statements of Chesaning Union Schools.

Reconciliations

As part of the internal control process, accounts should be reconciled on a timely basis. The reconciliation process helps to detect any errors or frauds that may have occurred within an account. We noted that certain reconciliations were not performed on a timely basis, such as cash and due to and from other funds accounts. We recommend that monthly reconciliations of balance sheet accounts be completed prior to the end of the following month. In addition, we recommend that all reconciliations be reviewed by someone who is not involved in the reconciliation process. This review should be documented with initialing and dating of the reconciliation.

Retaining Support for Transactions

During our current year audit we noted several journal entries that were posted during the year that lacked supporting documentation. We also noted that journal entries are not always being reviewed by someone which actually resulted in a misposting of an entry during the year causing the due to and from other funds to be out of balance for a portion of the year. We recommend that all journal entries should include documentation attached to the entry or be referenced to documentation for the entry. The journal entries should be reviewed by someone other than the preparer. This review process should be indicated on the journal entry by the reviewers' initials. Also, it is recommended that after the journal entries are posted that the accounts are reviewed to verify that the balances are correct.

Documentation of Internal Controls

Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed. We recommend that the District completely document and disseminate all internal control policies and procedures in one document.

Monitoring

The budget is a tool to assist management in monitoring of the district's financial activities. Each month the budget is compared to actual expenditures at the building level. Additionally, it should be analyzed by management to obtain a complete picture of the financial status of the district as a whole. Part of this analysis should include written documentation explaining any significant variances between the actual expenditures and what has been budgeted. Before making budget amendments the explanations for unusual activity or variances should be considered and incorporated into budget amendments as well as in the budget development for the next fiscal year.

Certifications of employees

During our testing of payroll for single audit purposes, we noted that Certifications and personnel activity reports are not being maintained to support time charged to special education. For all employees charged 100% of their time to a program, the district should have those employees sign a statement certifying that they work on the program with 100% of their time. This is a compliance issue that was identified as a finding on the single audit report.

This communication is intended solely for the information and use of management, Board of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
September 17, 2007